
WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 9.18.2009

MESSAGING RESOURCES/POLLING UPDATE

The More We Learn About The Specifics Of The Administration's Regulatory Reform Proposals, The Less Support There Is For Them. Chairman Frank vowed earlier this year to have the major elements of the Administration's regulatory reform agenda through the House by the August recess. Because of growing opposition, he obviously has had to scale back those ambitions dramatically, and key elements of the Administration's reform plan have been publicly rejected. The scope of the proposed Consumer Financial Protection Agency is being narrowed. The concept of identifying in advance a group of "Tier 1 financial holding companies" that would be subject to enhanced regulatory scrutiny by the Federal Reserve has been dismissed as a non-starter by Members on both sides of the aisle. There is virtually no support in Congress for establishing the Fed as the systemic risk regulator. Chairman Frank has expressed opposition to requiring commercial companies that currently own industrial banks and finance units to convert to bank holding companies. And all of the prudential regulators are pushing back hard against the creation of an independent and largely unaccountable CFPB.

President's Reform Proposals, Rather Than Drawing On The Strengths Of Our Economy, Grant Broad New Authorities To Government Bureaucrats While Intruding In Private Markets And Restricting Personal Choice. President Obama attempted to seize upon the one-year anniversary of the Lehman Brothers bankruptcy to try to breathe life into his flagging financial regulatory reform effort. But all that did was highlight a direction that, as in the case of health care and energy policy, is becoming all too familiar. Nowhere in the President's proposals is there a strategy to end the bailouts. The government will continue to pick winners and losers in the market, and large financial firms will continue to have every reason to believe that the government will rescue them from the consequences of imprudent business decisions in the future.

Polling Update

Rasmussen: "53% Oppose More Regulation of U.S. Financial System...President Obama in a speech on Wall Street this week repeated his call for greater oversight of the U.S. financial system, but opposition to more government regulation in that area of the economy has now risen to 53%."

ON THE HORIZON

Wednesday, September 23: The Full Committee will convene a hearing with Treasury Secretary Geithner regarding the Administration's financial regulatory reform proposal at 9:30 am in room 2128 Rayburn. At 2 pm, Federal Regulators will testify before the Full Committee regarding regulatory reform in room 2128 Rayburn.

Thursday, September 24: The Full Committee will convene a hearing entitled "Experts' Perspectives on Systemic Risk and Resolution Issues" at 10 am in room 2128 Rayburn. At 2:30 pm, the Capital Markets Subcommittee will hold a hearing entitled "Recent innovations in securitization" in room 2128 Rayburn.

Friday, September 25: The Full Committee will hold a legislative hearing on H.R. 1207, the Federal Reserve Transparency Act at 9 am in room 2128 Rayburn.

WEEKEND MUST-READS

Wall Street Journal: "Bankers Face Sweeping Curbs on Pay ... Policies that set the pay for tens of thousands of bank employees nationwide would require approval from the Federal Reserve as part of a far-reaching proposal to rein in risk-taking at financial institutions."

The Washington Post: "Housing Agency's Cash Reserves Will Drop Below Requirement ... The Federal Housing Administration has been hit so hard by the mortgage crisis that for the first time, the agency's cash reserves will drop below the minimum level set by Congress, FHA officials said."

LA Times: "Regulators consider ban on upfront fees for loan modification help ... Reporting from Washington - Federal regulators, taking aim at a common tactic used in mortgage frauds, will look at a nationwide ban on companies' charging upfront fees for helping homeowners modify loans to avoid foreclosures."

Reuters: "SEC rules take aim at credit rating agencies ... Credit agencies will have to disclose more of their ratings history, and creators of financial products will have to share data with all credit raters, under rules adopted by U.S. regulators on Thursday."

The Washington Post: "FDIC Packages Loans From Failed Banks ... The Federal Deposit Insurance Corp. launched a new program Wednesday to subsidize investor purchases of loans that the agency has acquired from failed banks, as it tries to attract more bids and higher prices for its rapidly expanding collection of troubled assets."

The Washington Post: "Retailers Battle Credit Card Fees ... A battle is brewing over the processing fees that banks charge merchants each time a customer uses a credit or debit card."

The Washington Post: "Lehman Brothers and the Persistence of Moral Hazard ... One year ago, Lehman Brothers filed for bankruptcy, triggering the most acute phase of the financial crisis. The precipitating cause of Lehman's demise was a

decision -- by Treasury Secretary Henry Paulson, Federal Chairman Ben Bernanke and New York Fed President Timothy Geithner -- to send a message."

Wall Street Journal: "Bernanke: Recession 'Likely Over' ... Federal Reserve Chairman Ben Bernanke said Tuesday that the recession was "very likely over," as consumers showed some of the first tangible signs of spending again."

Wall Street Journal: "New Rules Ease the Restructuring of CMBS Loans ... The Treasury, responding to the growing pain in the commercial real-estate industry, released new tax rules that make it easier for distressed property owners to restructure loans that were packaged by Wall Street firms and sold as securities."

Wall Street Journal: "Anti-Fed Activists Fuel Push for Audit ... At the core of a congressional push to audit the Federal Reserve are activists with a larger purpose: to abolish the central bank."

The Washington Post: "Fed Broadens Its Oversight To Include Subprime Lenders ... The Federal Reserve announced Tuesday that it will extend its regulatory umbrella to cover a group of lenders that includes several major originators of subprime loans, policing whether they follow federal laws that protect consumers of mortgages, credit cards and other financial products."

Wall Street Journal: "No Easy Exit for Government as Housing Market's Savior ... After a year of extraordinary interventions in the economy, the federal government is starting to pare its support for the private sector. It doesn't look that way to Peter Lansing, president of mortgage firm Universal Lending."

Wall Street Journal: "Obama Urges Bankers to Back Financial Overhaul ... President Barack Obama told Wall Street Monday to "embrace serious financial reform, not fight it," signaling that he wouldn't back down from his plan to impose new regulations that he said would protect the U.S. from financial crises."

NY Times: "But Who Is Watching Regulators? ... NOTHING succeeds like failure, as the saying goes. And nowhere is this dismal truth more evident than in our financial regulatory system, one year after the bankruptcy filing of Lehman Brothers."

USA Today: "Regulators: Accounting changes need global reach ... Changes in accounting standards, rules and policies

for financial institutions must be coordinated globally in the effort to help avoid a recurrence of the economic crisis, federal regulators said Monday."

The Washington Times: "Consumer protection faces lobby fight ... While the din of the health care debate continues to envelope Capitol Hill, another divisive White House-backed measure looming on the sidelines already has attracted dozens of deep pocketed players determined to strike it down."

Wall Street Journal: "Who's Too Big to Fail? ... With Congress back in session and the anniversary of the Lehman Brothers failure upon us, the Obama Administration is resuming its quest for greatly expanded authority to bail out American businesses. Under the Treasury reform blueprint, any financial company, whether a regulated bank or not, could be rescued or seized by the Federal Deposit Insurance Corporation if regulators believe it poses a systemic risk."

Politico: "Financial reform on a rough road ... One year after the collapse of Lehman Brothers, President Barack Obama will travel to Wall Street on Monday to push for new rules to ensure such a crisis doesn't happen again."

Barron's: "Fighting to Rein In Big Banks' Power ... THE GLOBAL BANKING CONFERENCE at Jackson Hole, Wyo., last month proved a springboard for Federal Reserve Chairman Ben Bernanke's reappointment. The real news was what wasn't on the menu: "too big to fail.""

New York Magazine: "Lehman's Lessons Learned ... A year and a half ago, I ate breakfast with Dick Fuld, then the CEO of Lehman Brothers, at the firm's midtown headquarters. Fuld had called me in to try to stanch the rumors that his firm—which had triumphed over all of the competition, all the Goldmans, Morgans, Merrills, and Citigroups, in the global bond business—would soon be buried under an avalanche of bad debt."

COMMITTEE REPUBLICANS IN THE NEWS

Rep. Scott Garrett issued this press release: Garrett (R-NJ) Delivers Keynote Address to ISDA Conference.

Rep. Shelley Moore Capito called for ACORN hearings.

Rep. Randy Neugebauer issued this press release: Neugebauer: We need better regulators, not more regulators.

Rep. Tom Price issued these press releases: Financial System Reform Should Embrace Principle; Price Blasts Pervasive Plan to Control Private Sector Pay.

Rep. Spencer Bachus led House Republicans during a press conference on financial regulatory reform. He penned this op-ed with Rep. Lamar Smith on regulatory reform. He also issued these press releases: Bachus: President Failed To Put Forward Constructive Proposals on Financial Reform; Bachus Says Federal Government Must Cut Ties With ACORN; Bachus Introduces Bipartisan Legislation To Ensure Independent Management, Exit Strategy From TARP Investments; Bachus Statement on House Vote To Defund ACORN. Bachus also appeared on CNBC to discuss regulatory reform and TARP exit strategy.

CARTOON OF THE WEEK

(Townhall, 9/16/2009)